



Part 1: News Analysis
Issue 11 (2008)
March 7-13, 2008

President Gurbanguly Berdymukhamedov's summit meeting this week in Tashkent with Uzbek President Islam Karimov was largely symbolic and declarative of good intentions. But the thawing of a 6-year chill in relations could have profound ramifications for regional and international gas markets if anticipated accelerated regional cooperation, including resolution of border disputes, clears the way for cross-state energy pipelines.

The two Central Asian leaders first met in October 2007, resuming relations which had been heavily strained since 2002, when Berdymukhamedov's predecessor, dictator Saparmurat Niyazov, accused Uzbekistan of conspiring in an alleged assassination plot against him and expelled the Uzbek ambassador. Now, a year since Niyazov's death and following a number of lower-level contacts and informal exchanges at the November 2007 CIS meeting, the summit of the two presidents in Uzbekistan was designed to seal progress in bilateral relations that will hopefully yield more substantive agreements on border delineation and gas export arrangements. A Turkmen embassy is now being built in Tashkent, a five-year agreement on economic cooperation was signed, and six other memoranda on various projects ranging from agriculture to culture were approved.

Russia and the three Caspian littoral state leaders of Turkmenistan, Kazakhstan, and Uzbekistan are to meet in May to resume talks on construction of the Caspian pipeline through their regions. Moscow has watched closely the Uzbek-Turkmen summit in Tashkent and other recent meetings between Berdymukhamedov and Turkmen government officials and their counterparts in the region. Immediately after the summit on March 11, Russia's Gazprom announced that in 2009, it will begin paying European prices for Central Asian gas. Until now, Ukraine, for example, has enjoyed gas payments to Central Asia for \$179.50/1,000 cubic meters, while Gazprom charges Ukraine its "European" price of \$315/1,000 cm. In January, Turkmenistan began charging Russia \$150/1,000 cm in January 2008, but will move to market prices in the latter part of 2008; Gazprom has put out press statements forecasting gas price hikes as high as \$400/1,000 cm.

As Turkmenistan falls under increasing pressure to accelerate its gas exports with rising prices and with its mounting multiple commitments for delivery to Russia, China, Iran, and other customers, there has been concern that environmental protection might take a back seat to commercial concerns. On March 3, the Turkmen president unveiled a new program for Caspian basin development that considers environmental factors, and this week, representatives of Turkmenistan's energy sector took part in both an OSCE sponsored seminar on response to oil spills and clean-ups, and a US-supported training to encourage the proper regulation of Production-Sharing Agreements between Turkmenistan and US oil companies. As the Turkmen leader has now begun working the rhetoric of environmental awareness into more of his speeches on exploitation of his country's rich natural gas resources, environmental watchdogs will observe how much transparency will be permitted in monitoring the effects of extraction and transport of fossil fuels on the environment.

The Turkmen Institute for Human Rights reported yet another story about apparent control of the Internet, claiming that even in a U.S. sponsored NGO resource-center, software downloading and file-sharing are blocked or filtered by Turkmen personnel who are allegedly cooperating with the Turkmen Ministry of State Security. The academic researchers and civil-society activists who wish to use the Internet to collaborate with colleagues abroad and stay abreast of their fields are stymied in the kind of work required to bring

independent assessment of Turkmenistan's reforms to the attention of the international community. On an international day of action March 12, the French media rights monitor Reporters Without Borders included Turkmenistan among the countries dubbed "Internet Enemies" whose governments block the Internet.

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1. INTERNATIONAL RELATIONS

a. Turkmen Leader Meets with Counterpart in Uzbekistan

Original title: *The Talks Between President of Turkmenistan Gurbanguly Berdymukhamedov and President of the Republic of Uzbekistan Islam Karimov*

Source: Official Turkmen government website/State News Agency of Turkmenistan (TDH)/03/11/08. Excerpt prepared by OSI Turkmenistan Project.

Full version: <http://www.turkmenistan.gov.tm/en/?idr=1&id=080311b>

Excerpt: On March 10, the President of Turkmenistan arrived in the Republic of Uzbekistan for a two-day state visit.

[Passages omitted: welcome by Uzbekistani President Islam Karimov and introduction to government officials, and thanks by President Berdymukhamedov for hospitality.]

During talks held in the atmosphere of friendship and mutual understanding, Gurbanguly Berdymukhamedov and Islam Karimov discussed the progress of agreements, including those reached during the official visit of the President of Uzbekistan to Turkmenistan last October. The two leaders exchanged views on a broad range of issues of bilateral as well as regional partnership, and identified the fuel and energy sector, trade and the economy, transport and communication, and agriculture as priority areas for collaboration. In this context, Gurbanguly Berdymukhamedov and Islam Karimov agreed that fruitful dialogue in the spheres of education, science and culture would be furthered.

[Passage omitted: on importance of President Karimov's trip to Turkmenistan in building good relations.]

Touching upon the achievements of independent neutral Turkmenistan resulting from the nationally-elected leader's progressive policy, the President of the Republic of Uzbekistan remarked that the Turkmen president's ultimate goal was to guarantee a decent life for the people of Turkmenistan and to enhance the country's prestige worldwide. Noting the similarity of both countries' approaches to the full range of issues regarding regional and international policies, Islam Karimov said that Uzbekistan supported Turkmenistan's foreign policy strategy. In this regard, the Uzbek leader highly appreciated the opening of the UN Regional

Centre for Preventive Diplomacy in Ashgabat, and declared his country's readiness to contribute actively to the Centre's endeavors to consolidate common efforts to respond to modern challenges and threats.

Regarding Turkmen-Uzbek co-operation, Islam Karimov reiterated that both countries believed bilateral co-operation was potentially deep enough to build plans for collaboration for many years ahead. Stressing the great potential for bilateral trade and economic relations, Islam Karimov noted the important role of the Turkmen-Uzbek intergovernmental commission and the agreements achieved during the meeting of the commission in Ashgabat.

Regarding the outcomes from his talks with President Berdymukhamedov, the Uzbek leader said in particular that the agreements on expansion of collaboration through delivering agricultural machines produced in Uzbekistan and other agro-industrial products had been reached. Islam Karimov indicated cotton-growing, grain cultivation, and selective breeding as promising areas for co-operation in the agro-industrial sector.

b. Uzbek, Turkmen Leaders Improve Relations

Original title: *Central Asia: Uzbek, Turkmen Leaders Pursue Better Relations*

Source: Radio Free Europe/Radio Liberty/03/. Excerpt prepared by OSI Turkmenistan Project. Copyright (c) 2008. RFE/RL, Inc. Reprinted with the permission of Radio Free Europe/Radio Liberty, 1201 Connecticut Ave., N.W. Washington DC 20036.

Full version: <http://www.rferl.org/featuresarticle/2008/03/C0078768-9E47-419C-8394-5590CB6EFD3C.html>

Excerpt: In the latest sign that Central Asia's major gas suppliers are getting closer after a long period of tension, Uzbek President Islam Karimov and Turkmen President Gurbanguly Berdymukhamedov concluded two days of talks on March 11 by signing a series of documents on improving bilateral relations. The meetings were watched closely in Moscow, Washington, and Beijing -- the powers competing for the energy resources of the two neighbors.

"I would like to stress my great satisfaction and gratitude to the president of Turkmenistan for the attention he has paid to his state visit," Karimov said after the meetings. His Turkmen counterpart added: "We have common roots and historic ties, and this visit will serve to further improve our bilateral co-operation." It was a far cry from 2002. That's when bilateral ties collapsed completely after Ashgabat expelled the Uzbek ambassador for alleged links to a failed bid to assassinate former President Sapamurat Niyazov, who died in late 2006.

While little of substance has emerged from these latest talks, the symbolism is important: two former foes are working to improve relations, which has a direct bearing on regional security and economics. If they can resolve key disputes -- particularly over their border, which remains unclearly defined, harbors untapped gas deposits, and complicates day-to-day living of thousands of people -- the impact could be immense.

"Berdymukhamedov's first official visit to Uzbekistan opens a new stage in Turkmen-Uzbek relations," says Oguljamal Yazliyeva, director of RFE/RL's Turkmen Service. "It is very important for Turkmenistan to cooperate with Uzbekistan to benefit from exporting its energy resources." She adds that Ashgabat also wants to expand trade and economic cooperation, including exports of chemical, agricultural, and textile products to Uzbekistan. "Uzbek enterprises are using this new atmosphere of cooperation to open branches in Turkmenistan," Yazliyeva says. But for now, people in both countries might be hoping that substance eventually follows form.

[Passage omitted: Uzbek reporter's comment about Karimov's friendliness to his counterpart and Moscow analyst's comment that the two leaders found a common language in their first meeting in October 2007, and subsequently established rapport at the summit.]

[Passages omitted: On 5-year economic-cooperation agreement signed, and signing of 6 other bilateral agreements, with hopes for more progress.]

Russia's *Vremya Novostei* daily speculated that cooperation in the gas sphere "undoubtedly" topped the agenda of the private talks. The report said the issue of natural-gas deliveries from Turkmenistan and Uzbekistan through Kazakhstan to Russia were likely to be discussed at a gathering of those four countries' leaders in May, during an expected tour of Central Asia by new Russian President Dmitry Medvedev.

But in a possible sign of the potential economic leverage that their friendly cooperation can confer on Tashkent and Ashgabat, Russian gas giant Gazprom announced on March 11 that starting in 2009, it will cease to buy Central Asian gas at cut-rate prices and instead will begin purchasing it at higher European rates. The message is that if Ashgabat and Tashkent can coordinate on energy rather than undercut each other's prices, then they will profit all the more -- even if European consumers ultimately foot the bill. Gazprom made the announcement in a statement following talks in Moscow between its chief executive officer, Aleksei Miller, and the heads of the national-gas companies of Kazakhstan, Uzbekistan, and Turkmenistan.

[Passages omitted: on hopes of those living along the Turkmen-Uzbek border that improved relations between the two countries will remove the visa regime that obstructs family visits and cross-border trade.]

c. Turkmen President Meets With EBRD President

Original title: *President of Turkmenistan Receives President of the European Bank for Reconstruction and Development*

Source: turkmenistan.ru/03/04/08. Translation and synopsis prepared by OSI Turkmenistan Project

Full version: <http://www.turkmenistan.gov.tm/en/?idr=1&id=080313b>

Synopsis: President Berdymukhamedov received Jean Lemierre, President of the European Bank for Reconstruction and Development (EBRD), along with the EBRD Director for Central Asia, Southeastern Europe and Caucasus and the Chief of the EBRD Office in Turkmenistan, the official government website and Turkmen State News Agency reported. Lemierre was interested to see the "the unprecedented changes arousing profound interest worldwide with his own eyes," TDH reported, noting that the European community supported the Turkmen leader's progressive initiatives and reaffirmed the EBRD's readiness for full-scale co-operation with Turkmenistan.

According to TDH, Lemierre indicated that the EBRD was keenly interested in strengthening existing relations and intensifying business partnership, noting that the key factors of European interest included Turkmenistan's huge economic and resource potential and its favorable investment climate. Banking and finance, the fuel and energy sector, transport and communications, and agriculture were identified as priority sectors for investment and partnership. Lemierre welcomed Turkmenistan's policy of supporting the development of entrepreneurial activity, particularly small and medium business and indicated EBRD's readiness to provide comprehensive advanced training for local specialists.

President Berdymukhamedov said that the European partners' proposals would be thoroughly considered, and invited the EBRD to visit the regions of Turkmenistan to study opportunities for collaboration.

d. OSCE Organizes Workshop in Turkmenistan on Oil Spills and Clean-up

Source: *Organization for Security and Cooperation in Europe (OSCE)/OSCE Centre in Ashgabat/03/05/08.*

Electronic version: <http://www.osce.org/item/30119.html>

Experts and policymakers from Caspian littoral states, international organizations, the private sector and civil society discussed oil spills remediation issues at a workshop in the port city of Turkmenbashi March 10-11.

"The discussions are especially relevant to the Caspian region which has witnessed significant ecological damage due to excessive oil production and inadequate response mechanisms to oil accidents," said Ambassador Ibrahim Djikic, the Head of the OSCE Centre in Ashgabat.

The two-day event was organized by the OSCE Centre and the Office of the Co-ordinator of OSCE Economic and Environmental Activities with financial support from the Government of Spain.

Participants shared best practices and latest technologies in responding to oil spills and their environmental consequences. Experts identified possible areas for regional co-operation in the field, including shipping safety standards, implementing international oil spills conventions and emergency preparedness plans.

The OSCE stands ready to work with its partners in facilitating national and regional co-operation in the area of oil spills remediation.

e. USTDA Funds Oil And Gas Training In Turkmenistan

Source: U.S. Embassy—Ashgabat/03/10/08. Excerpt prepared by OSI Turkmenistan Project. .

Full version: <http://turkmenistan.usembassy.gov/pr20080310.html>

Equipping the Government of Turkmenistan with tools to properly regulate the licensing of offshore hydrocarbon resources is the focus of a multi-stage training program for the State Agency for Management and Use of Hydrocarbon Resources in Turkmenistan (SAMUHR). The USTDA-funded training includes a wide range of topics that need to be considered when managing oil and gas licensing and negotiating production sharing agreements (PSAs). The first stage of training took place this week in Ashgabat. Taylor-DeJongh and several other private sector partners are contributing their technical expertise to the successful training programs that are taking place in Ashgabat and throughout the United States.

“USTDA [US Trade and Development Agency] is pleased to support the Government of Turkmenistan’s efforts to build capacity in the oil and gas sector,” said USTDA Acting Director Leocadia Zak. “Not only will this training program help the Government of Turkmenistan to negotiate more favorable PSAs, it will also help to create business opportunities for U.S. companies with the capacity to extract hydrocarbon reserves from technically challenging fields.”

The Government of Turkmenistan formally requested USTDA assistance with an oil and gas training program last September during a USTDA-sponsored reverse trade mission for Turkmen officials. Both the trade mission and the current training program aim to help the Government of Turkmenistan open new export routes, develop new oil and gas production and increase production in existing, technically challenging fields, and obtain better prices for its hydrocarbon resources.

“The USTDA oil and gas training program is an important example of increasing U.S.-Turkmenistan cooperation in the energy sector,” noted Ambassador Steven Mann, U.S. Coordinator for Eurasian Energy Diplomacy. “By equipping Turkmen officials with the information they need to successfully execute PSAs, we are opening new avenues for investment in the exploration and production of oil and gas in Turkmenistan, and ultimately enhancing worldwide energy security.”

[Passage omitted: on background of USTDA.]

2. DOMESTIC DEVELOPMENTS

a. Turkmen President Approves New Caspian National Plan of Action

Original title: Reliable System for Ecological Protection for the Caspian

Source: Official Turkmen government website/State New Agency of Turkmenistan (TDH)/03/02/08. Translation and synopsis prepared by OSI Turkmenistan Project

Full version: <http://www.turkmenistan.gov.tm/?idr=9&id=080302a>

Synopsis: By special decree on March 3, President Berdymukhamedov approved the National Caspian Plan of Action of Turkmenistan, a program for environmental activity in the Caspian region intended to "affirm Turkmenistan's dedication to ecologically safe and sustainable development" by including environmental protection in economic and social decisions, the official government website and State News Agency of Turkmenistan reported. The plan seeks to take into account environmental protection issues with the development of the Caspian shelf.

Turkmenistan's Caspian Plan of Action is undertaken within the framework of the UN's Caspian environmental program involving five littoral states: Turkmenistan, Russia, Azerbaijan, Iran, and Kazakhstan. The plan, prepared by Turkmenistan's ministries and interagency bodies, sets a long-term strategy for socio-

b. Turkmen Human Rights Group Protests State Control of US Information Center

3. ECONOMIC NEWS

a. Turkmenistan, Uzbekistan, Kazakhstan To Raise Gas Prices To European Level In 2009

Source: Interfax/03/11/08. *Synopsis prepared by OSI Turkmenistan Project.*

Synopsis: Kazakhstan, Turkmenistan, and Uzbekistan will begin selling gas at European prices in 2009, Gazprom announced following a meeting in Moscow on March 11 of top gas officials from the three Central Asian countries with Gazprom CEO Alexei Miller, Interfax reported. The three officials issued a statement that "based on the interests of the national economies and taking into account international obligations to ensure reliable and uninterrupted energy supplies, beginning in 2009, the sale of natural gas will be at European prices," Interfax reported

The pricing change would have far-reaching effects, according to Interfax; Ukraine, for example, mainly imports low-priced Central Asian gas for \$179.5 per 1,000 cubic meters but Gazprom charges Ukraine "European prices" for Russian gas is \$315 per 1,000 cm. In November 2007, Gazprom began to project that gas prices in Europe would rise to \$354 per 1,000 cubic meters by mid-2008, according to Interfax citing an insider source. This price could rise to \$378/1,000 cm later in 2008 and go as high as \$400 by year's end," the source said, noting that transportation costs would require adjustments for each customer.

The announcement of a likely increase in gas prices could impact alternative projects to transport gas to Europe, such as the Trans-Caspian pipeline. The Central Asian states have only supported such plans because they could not get world prices for their gas, according to Interfax. The head of KazMunayGas' gas projects, Bakhytzhon Isengaliyev, had said in 2006 that Gazprom's "hard line" on gas deliveries to Eastern and Western Europe prevented Kazakhstan from exporting at an acceptable price level and therefore Kazakhstan sought alternative hydrocarbon export projects.

b. Turkmen Leader Raps French Company for Slow Work - TV

Source: BBC Monitoring--Central Asia/03/08/08/Turkmen TV Altyn Asyr/03/08/08. *Synopsis prepared by OSI Turkmenistan Project.*

Synopsis: On March 8, president Berdimukhamedov visited a construction site in the south of Ashgabat, where a new administrative building for the Trade and Foreign Economic Relations Ministry and the State Commodity Exchange is being built. The Turkmen leader was accompanied by top Turkmen officials and Aldo Carbonaro, the vice-president of the French company Bouygues.

President Berdimukhamedov addressed some issues of cooperation with Bouygues, and expressed some dissatisfaction with the company's work. Despite Turkmenistan's long-standing partnership with Bouygues, which has built dozens of facilities, the president said the French company was not showing enough diligence both in drafting the new projects entrusted to it and implementing projects already agreed upon.

Bouygues Vice-President Aldo Carbonaro listened to these remarks and proposals, and assured the Turkmen leader that his company would take his remarks into account, and would take urgent steps to provide every condition necessary for further developing partnership with Turkmenistan. Bouygues considers Turkmenistan to be a reliable and long-term partner, Carbonaro said.

Unless otherwise indicated, all translations have been prepared by OSI's Turkmenistan Project.

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